

Ithaca Public Schools

Ithaca, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2008

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Ithaca Public Schools
Members of the Board of Education and Administration
June 30, 2008

Members of the Board of Education

Don Macha - President

Mike Reeves - Vice - President

Janine Palmer - Secretary

Tom MacDonald - Treasurer

Michael Chaffin - Trustee

Catherine Rayburn - Trustee

Scott Showers - Trustee

Administration

Charles Schnetzler - Superintendent

Rosemary Duckworth - Bookkeeper/Secretary

Steve Netzley - High School Principal

Keith Wing - Middle School Principal

Kathy Paul - North Elementary Principal

Terri Brown - South Elementary Principal



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Alma, MI 48801
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Independent Auditors' Report

To the Board of Education
Ithaca Public Schools
Ithaca, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ithaca Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ithaca Public Schools as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2008, on our consideration of the Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
September 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ithaca School Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Ithaca Public Schools (the District) Management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2008.

The following is an illustration on how this financial report is presented.

MD&A

Management's Discussion
And Analysis
(required supplementary information – new)

Basic Financial Statements

Fund
District –wide Financial Statements
(refocused)

Notes to the financial statements
(expanded / restructured)

Supplementary Information

Required supplementary information
(other than MD & A expanded)

As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements .

Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

District Wide Financial Statements

The District wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Fund Financial Statements

The fund statements are similar to financial presentations with the focus on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Special Revenue Fund is comprised of Athletic Activities and Food Service. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Financial Analysis of the District as a Whole with Previous Year Comparisons

Summary of Net Assets

	<u>2007-2008</u>	<u>2006-2007</u>
Assets		
Current assets	\$2,881,934	\$2,752,420
Capital assets	8,077,241	8,064,235
Less accumulated depreciation	<u>(5,746,113)</u>	<u>(5,575,225)</u>
Capital assets, net book value	<u>2,331,128</u>	<u>2,489,010</u>
Total assets	<u><u>\$5,213,062</u></u>	<u><u>\$5,241,430</u></u>
Liabilities		
Current liabilities	\$ 1,219,422	\$1,174,244
Long-term liabilities	<u>2,790,245</u>	<u>3,030,562</u>
Total liabilities	<u>4,009,667</u>	<u>4,204,806</u>
Total net assets	<u><u>\$ 1,203,395</u></u>	<u><u>\$ 1,036,624</u></u>

Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Summary of Net Assets

As indicated by the statement above, total net assets are \$1,203,395. Net assets can be separated into three categories: invested in capital assets net of related debt, restricted assets, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$8,077,241, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$5,746,113. Most capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters. Total general obligation bonds are \$2,850,000.

Restricted assets consist of debt retirement, totaling \$90,203.

The remaining \$1,657,657 is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Results of Operations with Previous Year Comparisons

	<u>2007-2008</u>		<u>2006-2007</u>	
	Amount	% of Total	Amount	% of Total
Program revenue				
Charges for services	\$ 454,801	3.5%	\$ 470,922	3.7%
Operating grants and contributions	2,023,467	15.7%	1,809,922	14.1%
General revenue	<u>10,404,179</u>	<u>80.8%</u>	<u>10,622,283</u>	<u>82.2%</u>
Total Revenue	\$12,882,447	100%	\$12,903,127	100.0%
Expenses				
Instruction	\$7,954,082	62.6%	\$7,877,840	62.0%
Support services	3,502,000	27.6%	3,605,138	28.3%
Food service	556,460	4.4%	544,620	4.3%
Athletic activities	326,772	2.6%	324,319	2.6%
Community services	221,775	1.7%	202,243	1.6%
Interest on long-term debt	<u>140,666</u>	<u>1.1%</u>	<u>149,406</u>	<u>1.2%</u>
Total expenses	\$12,701,755	100%	\$12,616,363	100.0%
Increase in net assets	<u>\$180,692</u>		<u>\$199,417</u>	

As indicated above net assets increased by \$180,692.

Ithaca Public Schools

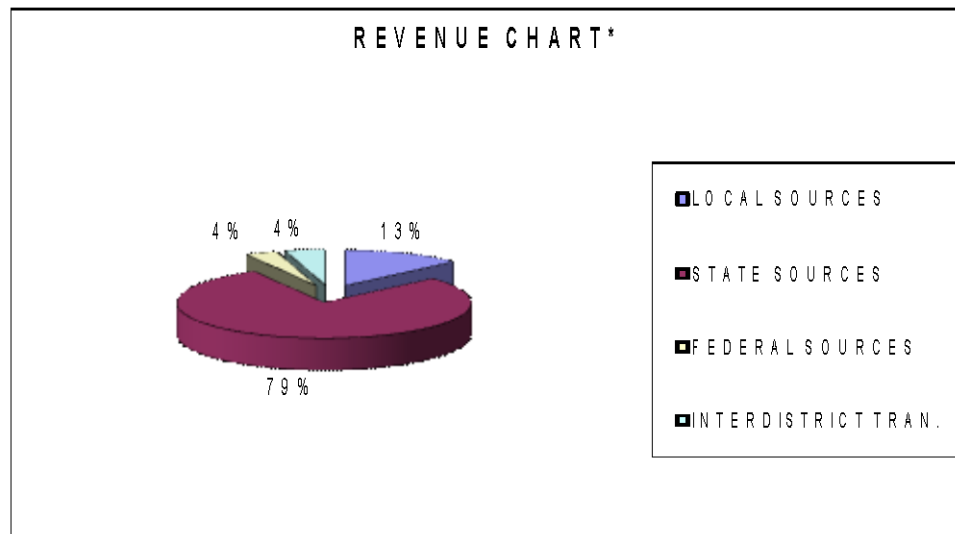
Management's Discussion and Analysis

For the Year Ended June 30, 2008

Revenues

The following chart illustrates the District's sources of revenues by percentages:

*Revenue chart is based on all District Funds combined



Sources of Revenues

Local sources of revenues total \$1,631,216 and include revenues to the General Fund of \$1,000,476, Debt Fund of \$347,894, Athletic Fund of \$94,025 and Food Service Fund of \$515,363

**Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

State sources of revenue total \$10,148,576 , and include revenues to the General Fund of \$10,120,321 and the Food Service Fund of \$28,255. Included in the state sources of revenue is the membership foundation allowance of \$9,217,085 in the General Fund, \$422,573 in the Special Education Funds and \$99,283 in Renaissance Zone funding. State sources of revenue make up 85% of General Fund revenues. This ties the district directly to the State's overall economy.

Federal sources of revenue total \$526,017 and include revenue to the General Fund of \$227,730 and Food Service Fund of \$227,635.

Interdistrict sources of revenue total \$565,959 to the General Fund. The major source of revenue is the County special education tax.

Property Taxes

A portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$1,105,171. This amount is obtained through a voter approved 18.00-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 1.93-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments. Over the last 5 years taxable values have increased each year on average of 4.95%, for homestead and non-homestead properties, combined. The following table illustrates this increase:

TAXABLE VALUE GROWTH HISTORY

YEAR	TAXABLE VALUE	GROWTH
1999	\$115,527,403	
2000	\$122,835,917	6.33%
2001	\$130,565,635	6.29%
2002	\$139,787,110	7.06%
2003	\$146,195,363	4.58%
2004	\$153,927,608	5.29%
2005	\$160,973,011	4.58%
2006	\$167,935,785	4.33%
2007	\$175,616,862	4.57%
2008	\$186,181,374	6.00%

Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

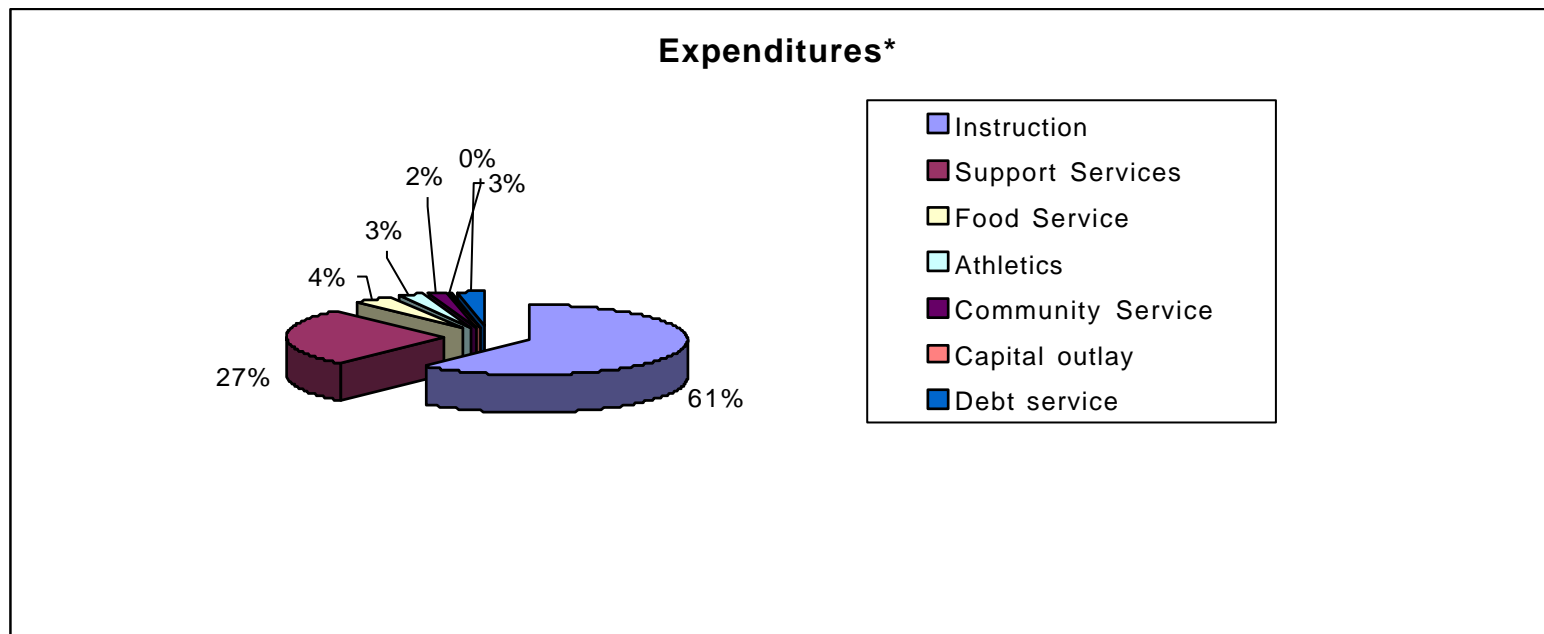
Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student set annually. The District's foundation allowance is \$7,204 per student for the 2007 – 2008 fiscal year. This is an increase over the District's 2006 – 2007 foundation allowance of \$7,085 per student. The number of students to be funded is calculated by student enrollment blended at 75% of current year September count and 25% of prior year February count. Total blended student enrollment for this fiscal year is 1,445.00. The overall funding is then reduced by the District's non-homestead tax levy based on 18.0-mills.

**Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Expenses

The following chart illustrates the District's expenses by percentages:



*Expense chart is based on all District Funds combined.

Expenses include Instruction of \$7,830,119, Support Services of \$3,440,263, Food Service Funds of \$548,342, Athletics Funds of \$319,207, Community service funds of \$221,775, Capital outlay of \$48,460, and debt service of \$353,315.

**Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the District had \$2,331,101 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

Assets	<u>2008</u>	<u>2007</u>
Land	\$1,229,558	\$1,229,558
Buildings and additions	3,840,891	3,840,891
Site Improvements	491,410	491,410
Buses and other vehicles	1,400,453	1,114,902
Furniture and equipment	<u>1,114,902</u>	<u>1,387,474</u>
Subtotal	\$8,077,214	\$8,064,235
Less accumulated depreciation	<u>(5,746,113)</u>	<u>(5,575,225)</u>
	<u>\$2,331,101</u>	<u>\$2,489,010</u>

Debt

At the end of this fiscal year, the District had \$2,850,000 in General Obligation Bonds outstanding. This is a decrease of \$200,000 from last year.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2009 fiscal year budget. Two of the major factors affecting the budget are the student count and the State funding of the unrestricted foundation allowance. As stated earlier in this report the state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts respectively. The 2008 budget was

Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. As a result, district funding is heavily dependent on the state's ability to fund local school operations.

Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

- The 2007-2008 fiscal year is the first year of a one-year labor contract with Ithaca Education Association.
- The 2007-2008 fiscal year is the second year of the labor contract with the International Union of Operating Engineers. This contract is a three-year contract with a re-opener for financial issues in year two and three.

Original vs. Actual Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget twice during the school year. For fiscal year 2007-2008, the budget was amended in January and in June.

Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008

General Fund Revenues

Total Revenues – Original Budget	\$ 11,611,596
Total Revenues – Final Budget	<u>11,922,820</u>
Difference	<u>\$ 311,224</u>

Decrease in Revenue Budget

The District's final general fund budgeted revenues were more than originally budgeted by \$311,224, a variance of 2.7%.

Some of the significant revised budget adjustments for the year include:

- Increase in local property tax \$35,540
- Increase in local revenue \$33,172
- Decreased earnings on investments \$18,000
- Increase in State Funding \$131,309
- Increase in Federal Funding \$57,178
- Increase incoming Inter-district revenue \$71,555
- There were numerous other increases and decrease in revenue spread out over multiple programs.

General Fund Expenditures

Total Expenditures – Original Budget	\$ 11,620,579
Total Expenditures – Final Budget	<u>11,810,078</u>
Difference	<u>\$ 189,499</u>

**Ithaca Public Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2008**

Decrease in Expenditure Budget

The District's final general fund budgeted expenditures were more than the original budget by 1.6%.

There were multiple increases and decreases in expenditures spread out over multiple programs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Superintendent of Schools at the Ithaca Public School District, 710 North Union Street, Ithaca, Michigan, 48447.

BASIC FINANCIAL STATEMENTS

Ithaca Public Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,019,951
Due from other governmental units	1,855,426
Inventory	6,584
Capital assets not being depreciated	1,229,558
Capital assets - net of accumulated depreciation	<u>1,101,543</u>
 Total assets	 <u>5,213,062</u>

See Accompanying Notes to Financial Statements

Ithaca Public Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 43,169
Payroll deductions and withholdings	6,135
Accrued expenditures	90,709
Accrued salaries payable	839,517
Deferred revenue	4,561
Noncurrent liabilities	
Due within one year	235,331
Due in more than one year	<u>2,790,245</u>
Total liabilities	<u>4,009,667</u>
Net Assets	
Invested in capital assets, net of related debt	(544,465)
Restricted for:	
Debt service	90,203
Unrestricted	<u>1,657,657</u>
Total net assets	<u>\$ 1,203,395</u>

See Accompanying Notes to Financial Statements

Ithaca Public Schools
Statement of Activities
For the Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
Instruction	\$ 7,954,082	\$ -	\$ 1,415,099	\$ -	\$ (6,538,983)
Supporting services	3,502,000	-	281,826	-	(3,220,174)
Food services	556,460	259,298	255,890	-	(41,272)
Athletic activities	326,772	94,025	-	-	(232,747)
Community services	221,775	101,478	70,652	-	(49,645)
Interest on long-term debt	140,666	-	-	-	(140,666)
Total governmental activities	<u>\$ 12,701,755</u>	<u>\$ 454,801</u>	<u>\$ 2,023,467</u>	<u>\$ -</u>	<u>(10,223,487)</u>
General revenues					
Property taxes, levied for general purposes					761,249
Property taxes, levied for debt service					343,922
State aid - unrestricted					9,217,085
Interest and investment earnings					50,354
Other					<u>31,569</u>
Total general revenues					<u>10,404,179</u>
Change in net assets					180,692
Net assets - beginning (restated)					<u>1,022,703</u>
Net assets - ending					<u>\$ 1,203,395</u>

See Accompanying Notes to Financial Statements

Ithaca Public Schools
Governmental Funds
Balance Sheet
June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 855,276	\$ 164,675	\$ 1,019,951
Due from other funds	66,643	8,732	75,375
Due from other governmental units	1,851,743	3,683	1,855,426
Inventory	-	6,584	6,584
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,773,662</u>	<u>\$ 183,674</u>	<u>\$ 2,957,336</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 32,375	\$ 10,794	\$ 43,169
Due to other funds	8,732	66,643	75,375
Payroll deductions and withholdings	6,135	-	6,135
Accrued expenditures	49,358	-	49,358
Accrued salaries payable	832,808	6,709	839,517
Deferred revenue	4,561	-	4,561
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>933,969</u>	<u>84,146</u>	<u>1,018,115</u>
Fund Balance			
Reserved for inventory	-	6,584	6,584
Reserved for debt service	-	90,203	90,203
Designated for North Elementary's new roof	200,000	-	200,000
Other undesignated	1,639,693	2,741	1,642,434
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,839,693</u>	<u>99,528</u>	<u>1,939,221</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 2,773,662</u>	<u>\$ 183,674</u>	<u>\$ 2,957,336</u>

See Accompanying Notes to Financial Statements

Ithaca Public Schools
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2008

Total fund balances for governmental funds	\$ 1,939,221
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,229,558
Capital assets - net of accumulated depreciation	1,101,543
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(41,351)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(10,752)
Bonds payable	(2,989,258)
Other loans payable and liabilities	<u>(25,566)</u>
Net assets of governmental activities	<u>\$ 1,203,395</u>

Ithaca Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 1,000,476	\$ 701,392	\$ 1,701,868
State sources	10,120,321	28,255	10,148,576
Federal sources	227,730	227,635	455,365
Interdistrict sources	565,959	-	565,959
	<u>11,914,486</u>	<u>957,282</u>	<u>12,871,768</u>
Total revenues			
Expenditures			
Current			
Education			
Instruction	7,830,119	-	7,830,119
Supporting services	3,440,263	-	3,440,263
Food services	-	548,342	548,342
Athletic activities	-	319,207	319,207
Community services	221,775	-	221,775
Capital outlay	41,946	6,514	48,460
Debt service			
Principal	11,149	200,000	211,149
Interest and other expenditures	2,879	139,287	142,166
	<u>11,548,131</u>	<u>1,213,350</u>	<u>12,761,481</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>366,355</u>	<u>(256,068)</u>	<u>110,287</u>

See Accompanying Notes to Financial Statements

Ithaca Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Insurance recoveries	6,566	-	6,566
Proceeds from sale of capital assets	4,113	-	4,113
Transfers in	-	257,489	257,489
Transfers out	<u>(257,489)</u>	<u>-</u>	<u>(257,489)</u>
Total other financing sources (uses)	<u>(246,810)</u>	<u>257,489</u>	<u>10,679</u>
Net change in fund balance	119,545	1,421	120,966
Fund balance - beginning (restated)	<u>1,720,148</u>	<u>98,107</u>	<u>1,818,255</u>
Fund balance - ending	<u>\$ 1,839,693</u>	<u>\$ 99,528</u>	<u>\$ 1,939,221</u>

See Accompanying Notes to Financial Statements

Ithaca Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - Total governmental funds	\$ 120,966
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(177,388)
Capital outlay	19,479
Expenses are recorded when incurred in the statement of activities.	
Interest	1,500
Compensated absences	4,986
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	<u>211,149</u>
Change in net assets of governmental activities	<u><u>\$ 180,692</u></u>

Ithaca Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 69,133	\$ 163,278
Liabilities		
Due to agency fund activities	<u>-</u>	<u>163,278</u>
Net Assets		
Reserved for scholarships and loans	<u>\$ 69,133</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

Ithaca Public Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 37,930
Deductions	
Scholarships	<u>36,279</u>
Change in net assets	1,651
Net assets - beginning	<u>67,482</u>
Net assets - ending	<u>\$ 69,133</u>

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ithaca Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2008, the rates are as follows per \$1,000 of assessed value.

General Fund	
Nonhomestead	17.75200
Debt Service Funds	
Homestead and Nonhomestead	1.80000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 63% of the School District's tax roll lies within the City of Ithaca and the Townships of Newark, Northstar, and Emerson.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Gratiot and remitted to the School District by May 15.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$ 5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – Sick days are earned by teachers at the rate of one day per school month (10 days per year). A maximum of 30 unused sick days may be accumulated by an employee. Upon retirement or termination of employment, unused sick days are forfeited. There is no contractual provision for payment of unused vacation. They may be used for vacation only.

Employees who are not teachers are awarded sick days at the rate of 1 ¼ days per month, accumulative to 45 days. There is no contractual provision for payment of unused sick days. Vacation days are accumulated based on years of service, up to a maximum of 20 days. Retiring employees are paid for vacation days up to a maximum number of days accumulated.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated vacation leave balances. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements .

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 6,412,906	\$ 6,416,352	\$ 3,446
Business	205,330	206,549	1,219
Pupil transportation services	565,579	573,885	8,306
Capital outlay	41,091	41,946	855

NOTE 3 - DEPOSITS

The School District's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 1,019,951	\$ 232,411	\$ 1,252,362

The breakdown between deposits for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 1,252,362
--	--------------

Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 1,266,748 of the District's bank balance of \$ 1,372,711 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,229,558	\$ -	\$ -	\$ 1,229,558
Capital assets being depreciated				
Buildings and additions	3,840,891	-	-	3,840,891
Site improvements	491,410	-	-	491,410
Equipment and furniture	1,387,474	19,479	6,500	1,400,453
Buses and other vehicles	<u>1,114,902</u>	<u>-</u>	<u>-</u>	<u>1,114,902</u>
Total capital assets being depreciated	<u>6,834,677</u>	<u>19,479</u>	<u>6,500</u>	<u>6,847,656</u>
Less accumulated depreciation for				
Buildings and additions	3,079,977	70,535	-	3,150,512
Site improvements	451,181	10,141	-	461,322
Equipment and furniture	1,213,731	33,789	6,500	1,241,020
Buses and other vehicles	<u>830,336</u>	<u>62,923</u>	<u>-</u>	<u>893,259</u>
Total accumulated depreciation	<u>5,575,225</u>	<u>177,388</u>	<u>6,500</u>	<u>5,746,113</u>
Net capital assets being depreciated	<u>1,259,452</u>	<u>(157,909)</u>	<u>-</u>	<u>1,101,543</u>
Net capital assets	<u>\$ 2,489,010</u>	<u>\$ (157,909)</u>	<u>\$ -</u>	<u>\$ 2,331,101</u>

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Instruction	\$ 116,071
Support services	52,148
Athletic activities	<u>7,565</u>
Total governmental activities	<u>\$ 177,388</u>

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Food Service	General Fund	\$ 8,732
General Fund	Athletic Fund	<u>66,643</u>
		<u>\$ 75,375</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year, between the General Fund and the Athletic Fund totaling \$ 217,996 and between the General Fund and the Food Service Fund totaling \$ 39,493. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 4,561</u>

NOTE 7 - STATE AID ANTICIPATION NOTE

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ -	\$ 1,600,000	\$ 1,600,000	\$ -

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and termination benefits.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 3,050,000	\$ -	\$ 200,000	\$ 2,850,000	\$ 210,000
Other bonds	139,258	-	-	139,258	13,126
Capital lease	36,715	-	11,149	25,566	12,205
Compensated absences	15,738	-	4,986	10,752	-
Total	<u>\$ 3,241,711</u>	<u>\$ -</u>	<u>\$ 216,135</u>	<u>\$ 3,025,576</u>	<u>\$ 235,331</u>

General obligation bonds payable at year end, consists of the following:

\$3,910,000 serial bond due in annual installments of	
\$195,000 to \$220,000 through May 1, 2021, interest at 4.10% to 4.90%	<u>\$ 2,850,000</u>

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

Future principal and interest requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 210,000	130,266	\$ 340,266
2010	220,000	121,550	341,550
2011	220,000	112,310	332,310
2012	220,000	102,850	322,850
2013	220,000	93,280	313,280
2014-2018	1,100,000	273,460	1,373,460
2019-2021	660,000	107,470	767,470
Total	<u>\$ 2,850,000</u>	<u>\$ 941,186</u>	<u>\$ 3,791,186</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$ 90,203 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$235,847 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually \$ 139,258

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 13,126	\$ 3,437	\$ 16,563
2010	13,750	2,812	16,562
2011	14,405	2,157	16,562
2012	15,089	1,471	16,560
2013	<u>82,888</u>	<u>28,387</u>	<u>111,275</u>
Total	<u>\$ 139,258</u>	<u>\$ 38,264</u>	<u>\$ 177,522</u>

Compensated Absences

Accrued compensated absences at year end, consists of \$ 10,752 of vacation hours earned and vested. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Interest expenditures for the fiscal year in the General Fund and Debt Service Funds were \$40,311.00 and \$138,465.00 , respectively .

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 9 - CAPITAL LEASES

The District has entered into a capital lease for copier equipment.

Year ending June 30,	
2009	\$ 14,028
2010	<u>14,028</u>
Total minimum lease payments	28,056
Less amount representing interest	<u>2,490</u>
Present value of minimum lease payments	<u>\$ 25,566</u>
Assets	
Machinery and equipment	\$ 56,205
Less accumulated depreciation	<u>33,723</u>
Total	<u>\$ 22,482</u>

NOTE 10 - RISK MANAGEMENT

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described below, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the

School District. The School District had unemployment compensation expense for the year of \$ 313. No provision has been made for possible future claims.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report provides information for the plan as a whole and information helpful for understanding the scale of the information presented relative to the School. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

information relative to MPSERS funding for the three-year period beginning July 1, 2005 through June 30, 2008.

	2008	2007	2006
Funding percentage range	16.72 -17.74%	16.34 -17.74%	14.87-16.34%
Total payroll	6,960,954	6,939,689	6,929,974
Total covered payroll	6,791,327	6,592,705	6,589,795
School contributions	1,151,549	1,168,225	1,053,075
Employee MIP contributions	192,404	185,921	178,570
Tax deferred payment program	38,357	71,083	47,728
Portion of school contribution covering health, dental and vision benefits	39%	37%	40%

Trend Information

Ten-year historical trend information is presented in the September 30, 2007, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2006, the latest date for which information is available, approximates \$ 49.1 billion and \$ 43.0 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2007.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2007,

statewide expenditures of \$ 654 million were recognized for post-retirement health care, dental and vision. This represented approximately 18% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 12 - GRATIOT COUNTY COMMUNITY FOUNDATION

The District has an endowment fund held by the Gratiot County Community Foundation. As of June 30, 2008, the balance was \$ 34,000. Of this amount, \$ 5,450 is available to the district, and the remaining is endowed with the Foundation.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE 14 - SUBSEQUENT EVENT

Subsequent to June 30, 2008, the School District borrowed \$ 1,800,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District in September of 2008.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2008

NOTE 15 - RELATED PARTY TRANSACTIONS

The District has engaged in related party transactions with the following entities throughout the year. Services provided by the related parties include printing of District publications and advertising. As of June 30, 2008 there were no amounts due to or due from the related parties. Details of these transactions are as follows:

Mid-State Printing	\$ 5,559
Gratiot County Herald	730

NOTE 16 - PRIOR PERIOD ADJUSTMENT

The June 30, 2007 financial statements did not include \$13,921 of expense related to the Food Service Fund. This omission caused net assets to be overstated by \$13,921. The net assets at July 1, 2007 were restated to correct this omission.

Net assets – beginning of year	\$1,036,624
Correction for expenses omitted	<u>(13,921)</u>
Net Assets – beginning of year (restated)	<u>\$1,022,703</u>

REQUIRED SUPPLEMENTAL INFORMATION

Ithaca Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 918,519	\$ 1,000,459	\$ 1,000,476	\$ 17
State sources	9,981,611	10,112,920	10,120,321	7,401
Federal sources	214,966	232,206	227,730	(4,476)
Interdistrict sources	495,000	566,555	565,959	(596)
Total revenues	11,610,096	11,912,140	11,914,486	2,346
Expenditures				
Instruction				
Basic programs	6,421,669	6,412,906	6,416,352	3,446
Added needs	1,361,098	1,350,474	1,352,339	1,865
Adult and continuing education	70,925	69,469	61,428	(8,041)
Supporting services				
Pupil	474,757	467,531	465,899	(1,632)
Instructional staff	73,581	68,502	68,367	(135)
General administration	540,694	484,236	483,153	(1,083)
School administration	568,545	568,362	566,197	(2,165)
Business	214,008	205,330	206,549	1,219
Operations and maintenance	1,046,258	1,082,989	1,076,213	(6,776)
Pupil transportation services	550,959	565,579	573,885	8,306
Community services	212,822	223,563	221,775	(1,788)
Capital outlay	71,674	41,091	41,946	855
Debt service				
Principal	10,200	11,149	11,149	-
Interest and fiscal charges	3,389	3,049	2,879	(170)
Total expenditures	11,620,579	11,554,230	11,548,131	(6,099)
Excess (deficiency) of revenues over expenditures	(10,483)	357,910	366,355	8,445

Ithaca Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	
Other Financing Sources (Uses)			
Insurance recoveries	-	6,567	6,566 (1)
Proceeds from sale of capital assets	1,500	4,113	4,113 -
Transfers out	-	(255,848)	(257,489) (1,641)
Total other financing sources (uses)	1,500	(245,168)	(246,810) (1,642)
Net change in fund balance	(8,983)	112,742	119,545 6,803
Fund balance - beginning	1,720,148	1,720,148	1,720,148 -
Fund balance - ending	<u>\$ 1,711,165</u>	<u>\$ 1,832,890</u>	<u>\$ 1,839,693</u> <u>\$ 6,803</u>

OTHER SUPPLEMENTAL INFORMATION

Ithaca Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

	<u>Special Revenue Funds</u>		<u>1999 Refunding Bond</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>		
Assets				
Cash	\$ 6,115	\$ 68,357	\$ 90,203	\$ 164,675
Due from other funds	8,732	-	-	8,732
Due from other governmental units	3,683	-	-	3,683
Inventory	<u>6,584</u>	<u>-</u>	<u>-</u>	<u>6,584</u>
 Total assets	 <u>\$ 25,114</u>	 <u>\$ 68,357</u>	 <u>\$ 90,203</u>	 <u>\$ 183,674</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 10,794	\$ -	\$ -	\$ 10,794
Due to other funds	-	66,643	-	66,643
Accrued salaries payable	<u>6,709</u>	<u>-</u>	<u>-</u>	<u>6,709</u>
 Total liabilities	 <u>17,503</u>	 <u>66,643</u>	 <u>-</u>	 <u>84,146</u>
 Fund Balance				
Reserved for inventory	6,584	-	-	6,584
Reserved for debt service	-	-	90,203	90,203
Other undesignated	<u>1,027</u>	<u>1,714</u>	<u>-</u>	<u>2,741</u>
 Total fund balance	 <u>7,611</u>	 <u>1,714</u>	 <u>90,203</u>	 <u>99,528</u>
 Total liabilities and fund balance	 <u>\$ 25,114</u>	 <u>\$ 68,357</u>	 <u>\$ 90,203</u>	 <u>\$ 183,674</u>

Ithaca Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Food Service	Athletics	1999 Refunding Bond	
Revenues				
Local sources	\$ 259,473	\$ 94,025	\$ 347,894	\$ 701,392
State sources	28,255	-	-	28,255
Federal sources	227,635	-	-	227,635
Total revenues	<u>515,363</u>	<u>94,025</u>	<u>347,894</u>	<u>957,282</u>
Expenditures				
Current				
Education				
Food services	548,342	-	-	548,342
Athletic activities	-	319,207	-	319,207
Capital outlay	6,514	-	-	6,514
Debt service				
Principal	-	-	200,000	200,000
Interest and other expenditures	-	-	139,287	139,287
Total expenditures	<u>554,856</u>	<u>319,207</u>	<u>339,287</u>	<u>1,213,350</u>
Excess (deficiency) of revenues over expenditures	<u>(39,493)</u>	<u>(225,182)</u>	<u>8,607</u>	<u>(256,068)</u>
Other Financing Sources				
Transfers in	<u>39,493</u>	<u>217,996</u>	<u>-</u>	<u>257,489</u>
Net change in fund balance	-	(7,186)	8,607	1,421
Fund balance - beginning (restated)	<u>7,611</u>	<u>8,900</u>	<u>81,596</u>	<u>98,107</u>
Fund balance - ending	<u>\$ 7,611</u>	<u>\$ 1,714</u>	<u>\$ 90,203</u>	<u>\$ 99,528</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2008

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 855,276	\$ 749,123
Due from other funds	66,643	30,250
Due from other governmental units	1,851,743	1,773,837
Prepaid items	<u>-</u>	<u>80,756</u>
 Total assets	 <u>\$ 2,773,662</u>	 <u>\$ 2,633,966</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 32,375	\$ 35,940
Due to other funds	8,732	-
Payroll deductions and withholdings	6,135	6,263
Accrued expenditures	49,358	47,086
Accrued salaries payable	832,808	815,633
Deferred revenue	<u>4,561</u>	<u>8,896</u>
 Total liabilities	 <u>933,969</u>	 <u>913,818</u>
Fund Balance		
Reserved for prepaid items	-	80,756
Designated for North Elementary's new roof	200,000	200,000
Other undesignated	<u>1,639,693</u>	<u>1,439,392</u>
 Total fund balance	 <u>1,839,693</u>	 <u>1,720,148</u>
 Total liabilities and fund balance	 <u>\$ 2,773,662</u>	 <u>\$ 2,633,966</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Schedule of Revenues
For the Year Ended June 30, 2008

	<u>Actual</u>
Revenue from local sources	
Property tax levy	\$ 761,249
Earnings on investments	46,207
Community service activities	172,130
Other local revenues	<u>20,890</u>
Total revenues from local sources	<u>1,000,476</u>
Revenues from state sources	
Grants - unrestricted	9,217,085
Grants - restricted	<u>903,236</u>
Total revenues from state sources	<u>10,120,321</u>
Revenues from federal sources	
Grants	<u>227,730</u>
Interdistrict sources	
Tuition	15,243
Transportation	17,550
ISD collected millage	<u>533,166</u>
Total interdistrict sources	<u>565,959</u>
Other financing sources	
Insurance recoveries	6,566
Proceeds from sale of capital assets	<u>4,113</u>
Total other financing sources	<u>10,679</u>
Total revenue and other financing sources	<u>\$ 11,925,165</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

	<u>Actual</u>
Basic program - elementary	
Salaries	\$ 2,223,677
Employee benefits	917,023
Purchased services	10,444
Supplies and materials	58,464
Other	<u>1,250</u>
Total elementary	<u>3,210,858</u>
Basic program - high school	
Salaries	1,859,958
Employee benefits	818,121
Purchased services	222,318
Supplies and materials	202,928
Other	<u>1,925</u>
Total high school	<u>3,105,250</u>
Basic program - pre-school	
Salaries	37,666
Employee benefits	23,144
Purchased services	510
Supplies and materials	1,399
Other	<u>1,517</u>
Total pre-school	<u>64,236</u>
Basic program - summer school	
Salaries	28,840
Employee benefits	<u>7,168</u>
Total summer school	<u>36,008</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

	<u>Actual</u>
Added needs - special education	
Salaries	596,513
Employee benefits	254,635
Purchased services	40,627
Supplies and materials	12,627
Other	<u>1,882</u>
Total special education	<u>906,284</u>
 Added needs - compensatory education	
Salaries	320,539
Employee benefits	117,130
Purchased services	4,559
Supplies and materials	2,518
Other	<u>1,309</u>
Total compensatory education	<u>446,055</u>
 Adult and continuing education - secondary vocational	
Salaries	42,713
Employee benefits	14,838
Purchased services	180
Supplies and materials	<u>3,697</u>
Total secondary vocational	<u>61,428</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

	<u>Actual</u>
Pupil - guidance services	
Salaries	209,577
Employee benefits	82,613
Purchased services	2,414
Supplies and materials	<u>1,464</u>
Total guidance services	<u>296,068</u>
 Pupil - health services	
Purchased services	1,436
Supplies and materials	<u>534</u>
Total health services	<u>1,970</u>
 Pupil - speech services	
Salaries	69,867
Employee benefits	18,546
Purchased services	292
Supplies and materials	<u>148</u>
Total speech services	<u>88,853</u>
 Pupil - social work services	
Salaries	62,703
Employee benefits	15,506
Purchased services	252
Supplies and materials	<u>547</u>
Total social work services	<u>79,008</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

	<u>Actual</u>
Instructional staff - educational media services	
Salaries	35,417
Employee benefits	9,522
Purchased services	285
Supplies and materials	15,958
Other	<u>7,185</u>
Total educational media services	<u>68,367</u>
 General administration - board of education	
Salaries	4,375
Purchased services	22,989
Supplies and materials	611
Other	<u>13,887</u>
Total board of education	<u>41,862</u>
 General administration - executive administration	
Salaries	214,076
Employee benefits	89,800
Purchased services	128,402
Supplies and materials	4,753
Other	<u>4,260</u>
Total executive administration	<u>441,291</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

	<u>Actual</u>
School administration - office of the principal	
Salaries	245,961
Employee benefits	129,235
Purchased services	171,071
Supplies and materials	17,510
Other	<u>2,420</u>
Total office of the principal	<u>566,197</u>
 Business - fiscal services	
Salaries	47,802
Employee benefits	<u>28,875</u>
Total fiscal services	<u>76,677</u>
 Business - other	
Purchased services	77,604
Other	<u>52,268</u>
Total other business	<u>129,872</u>
 Operations and maintenance - operating building services	
Salaries	379,559
Employee benefits	205,149
Purchased services	187,727
Supplies and materials	<u>303,778</u>
Total operating building services	<u>1,076,213</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

	<u>Actual</u>
Pupil transportation services	
Salaries	279,919
Employee benefits	85,807
Purchased services	30,724
Supplies and materials	171,586
Other	<u>5,849</u>
Total transportation services	<u>573,885</u>
 Community services - direction	
Salaries	100,032
Employee benefits	26,577
Purchased services	11,293
Supplies and materials	33,995
Other	<u>1,779</u>
Total direction	<u>173,676</u>
 Community services - community recreation	
Salaries	306
Employee benefits	11,269
Purchased services	28,898
Supplies and materials	<u>1,903</u>
Total community recreation	<u>42,376</u>
 Community services - custody and care of children	
Salaries	<u>5,723</u>

Ithaca Public Schools
Other Supplemental Information
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

	<u>Actual</u>
Capital outlay	
Basic program - elementary	3,191
Basic program - high school	12,601
Adult and continuing education - secondary vocational	139
Instructional staff - educational media services	2,699
General administration - executive administration	19,589
School administration - office of the principal	867
Operations and maintenance - operating building services	<u>2,860</u>
Total capital outlay	<u>41,946</u>
Debt service	
Principal	11,149
Interest and other expenditures	<u>2,879</u>
Total debt service	<u>14,028</u>
Other financing uses	
Transfers out	<u>257,489</u>
Total expenditures and financing uses	<u>\$ 11,805,620</u>

Ithaca Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2008

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
Activity Funds				
High School Accounts				
Annuals	\$ 5,629	\$ 21,054	\$ 19,504	\$ 7,179
Art Department	(125)	-	-	(125)
Band Department	2,187	3,894	5,459	622
Basketball fundraiser	55	600	495	160
Beverage account	7,918	6,007	5,262	8,663
B.P.A.	3,255	5,921	5,791	3,385
Cadet Teachers	46	-	-	46
Cheerleaders	1,085	4,104	3,637	1,552
Competitive Cheer	-	100	-	100
Choral Music	477	840	1,233	84
Class of 2001	2,910	-	-	2,910
Class of 2003	747	300	-	1,047
Class of 2007	49	-	-	49
Class of 2008	3,341	6,192	5,733	3,800
Class of 2009	(101)	6,880	5,317	1,462
Class of 2010	437	434	521	350
Class of 2011	-	650	318	332
CSAA Tech Team	1,082	2,083	1,692	1,473
Drama	2,743	2,361	1,825	3,279
50-50 account	4,827	2,203	-	7,030
Future Farmers of America	(591)	30,132	27,958	1,583
Germany trip	341	6,807	6,584	564
Graduation	902	9,320	9,714	508
Growler	2,380	9,318	5,642	6,056
Industrial arts	4,901	402	502	4,801
Interest account	23,134	3,792	433	26,493
Jazz Band	-	1,880	134	1,746
Junior High	2,636	11,878	10,384	4,130

Ithaca Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2008

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
Activity Funds				
Jr. High Student Coun.	(4)	4	-	-
Library	5,670	1,910	794	6,786
Library Club	811	1,418	1,461	768
Literacy	323	-	-	323
Mahoney memorial	69	-	-	69
Multi-Cultural Club	649	-	-	649
Musical Production	4,918	10,317	10,546	4,689
Nat'l Forensic League	114	-	-	114
National Honors Society	54	-	-	54
Pep Club	543	-	42	501
Pom Pon Squad	5,611	13,326	12,248	6,689
Principals account	721	1,364	1,407	678
S.A.D.D.	16	-	-	16
S.A.F.E.	1,357	-	100	1,257
Softball	-	480	257	223
Special football	5,743	12,529	10,830	7,442
Student Council	3,957	4,402	3,741	4,618
Super Mileage Club	4	-	-	4
Teacher wellness	1,640	1,418	964	2,094
Textbooks	1,982	3,785	3,585	2,182
Varsity Bowling	-	3,801	1,211	2,590
Volleyball	-	3,809	2,593	1,216
Varsity Club	1,209	14,836	15,628	417
Total High School accounts	105,652	210,551	183,545	132,658
Elementary Accounts				
South Elementary	15,034	18,256	22,580	10,710
North Elementary	21,543	47,438	49,071	19,910

Ithaca Public Schools
Other Supplemental Information
Fiduciary Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2008

	Due to (From) Student Groups July 1, 2007	Cash Receipts	Cash Disbursements	Due to (From) Student Groups June 30, 2008
Activity Funds				
Total Elementary	<u>36,577</u>	<u>65,694</u>	<u>71,651</u>	<u>30,620</u>
Total Activity Funds	<u>\$ 142,229</u>	<u>\$ 276,245</u>	<u>\$ 255,196</u>	<u>\$ 163,278</u>

Ithaca Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2008

Year Ending June 30,	Durant	1999 Refunding Bond	Total
2009	\$ 13,126	\$ 210,000	\$ 223,126
2010	13,750	220,000	233,750
2011	14,405	220,000	234,405
2012	15,089	220,000	235,089
2013	82,888	220,000	302,888
2014	-	220,000	220,000
2015	-	220,000	220,000
2016	-	220,000	220,000
2017	-	220,000	220,000
2018	-	220,000	220,000
2019	-	220,000	220,000
2020	-	220,000	220,000
2021	-	220,000	220,000
Total	\$ <u>139,258</u>	\$ <u>2,850,000</u>	\$ <u>2,989,258</u>

Principal payments
due

May 15th

May 1st

Interest payments
due

May 15th

May and
November 1st

Interest rate

4.761%

4.100% - 4.900%

Original issue

\$ 235,847

\$ 3,910,000

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Members of the Board of Education
Ithaca Public Schools
Ithaca, Michigan

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Ithaca Public Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Ithaca Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ithaca Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ithaca Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We have identified the following deficiencies in the internal control over financial reporting that we consider to be significant deficiencies in internal control, as defined above.

1. We proposed thirteen adjusting journal entries that you approved and posted to your general ledger. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ithaca Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, Michigan Department of Education and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
September 22, 2008



7810 N. Alger Rd.
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Fax (989) 463-8560

To the Management and
Board of Directors of
Ithaca Public Schools

In planning and performing our audit of the financial statements of Ithaca Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Ithaca Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. *We did not identify any deficiencies in internal control that we consider to be material weaknesses.* However, we identified the following deficiencies in internal control that we consider to be a significant deficiency.

JOURNAL ENTRIES

Due to the implementation of SAS 112, we are required to report the following as a significant deficiency. SAS 112 is effective for audits of financial statements for periods ending on or after December 15, 2006. We proposed eighteen journal entries that you approved and posted to your general ledger. The effect of such entries was to increase net income by \$1,757,335. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe that a review and evaluation of transactions at year-end would solve this issue.

We have also noted the following item that we feel could improve your internal controls or operating efficiencies. This item is not considered a significant deficiency or a material weakness but is presented for your consideration.

MANAGEMENT COMMENT

Student activity accounts need to be monitored more closely. At year end, four accounts had a negative balance. These accounts should be periodically reviewed, and accounts with negative balances should be investigated. Timely review should ensure that all accounts maintain positive balances.

This communication is intended solely for the information and use of management, the School Board, others within the organization, and the appropriate governmental authorities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
September 17, 2007